



City of Detroit

OFFICE OF THE AUDITOR GENERAL

**Audit of the
Detroit Police Department's
Imprest Cash**

December 2003

**Audit of the Detroit Police Department's Imprest Cash Fund
December 2003**

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* Finding appeared in the prior audit report dated April 8, 1998




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AUDITOR GENERAL
CITY OF DETROIT

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MEMORANDUM

DATE: January 23, 2004

TO: Honorable City Council

FROM: Joseph L. Harris
Auditor General 

RE: Audit of the Detroit Police Department's Imprest Cash Fund

C: Mayor Kwame M. Kilpatrick

Attached for your review is our report on the audit of the Police Department imprest cash fund.

This report contains our audit purpose, scope, objectives, and methodology; background; audit results; findings and recommendations; and the agency's response.

We appreciate the assistance that we received from the employees of the Police Department.

AUDIT PURPOSE, SCOPE, OBJECTIVES, AND METHODOLOGY

Audit Purpose

The audit of the imprest cash fund of the Police Department was performed in accordance with the Office of the Auditor General (OAG) charter mandate to audit financial transactions of all City agencies. The OAG performed the audit to test the adequacy of the Police Department's internal control procedures for the fund. This audit report is intended to provide recommendations for the Police Department to improve internal control procedures for the imprest cash fund.

Audit Scope

The Police Department's imprest cash fund is a source of petty cash to 14 separate departmental units. The OAG audited the imprest cash fund of the Police Department in its entirety. We selected transactions for review for the fiscal years ended June 30, 2001 and June 30, 2002. The OAG performed tests of the following internal control procedures for the imprest cash fund:

- Bank balances are reconciled to cash balances on hand.
- Individual uses of funds are appropriately documented.
- Physical safeguards over funds are adequate.
- There is adequate segregation of duties over authorizing, custody, and recording functions for the fund.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external quality review of the OAG within the last three years.

Audit Objectives

The audit of the imprest cash fund of the Police Department was designed to determine:

- If the Department's authorized imprest funds are on hand
- If the duties of authorizing, custody, and recording transactions for the imprest cash fund are adequately segregated
- If the physical safeguards over funds are adequate
- If existing dollar balances in departmental funds are counted and signed for by new incoming unit custodians
- If an independent audit of the imprest cash fund is performed on a quarterly basis

Audit Methodology

To conduct the audit, the auditor employed the following methodologies:

- Performed a risk assessment of internal controls for the imprest cash fund
- Reviewed a small judgmental sample of requests for imprest cash (The transactions selected were tailored to meet specific audit objectives.)
- Conducted interviews; made observations; conducted inspections and calculations; and reviewed documentation
- Used internal control principles and City of Detroit policies specified in the Cash Manual to evaluate the results of the audit

BACKGROUND

As specified in the City of Detroit Charter, the Police Department's charge is to preserve the public peace, prevent crime, arrest offenders, protect the rights of persons and property, guard the public health, preserve order, and enforce laws of the state and the nation and the ordinances of the City. A five-member Board of Police Commissioners heads the Police Department. The Mayor appoints the board members and the Police Chief. The Police Chief is the chief executive officer of the Department and administers the Department in accordance with policies, rules, and regulations established by the Board of Police Commissioners.

The Police Department's mission is to provide a safe environment, through efficient, cost effective, professional community-based police services, for Detroit residents, businesses and visitors.

The Police Department has an authorized \$10,000 imprest cash fund, which is administered by the Management Services Bureau.

FINDING AND RECOMMENDATION

The finding marked with an asterisk (*) indicates that this finding and the related recommendation appeared in the previous OAG report. The date shown indicates the audit report in which the finding and related recommendation, or part thereof, first appeared.

***1. Report Imprest Cash Fund Shortage and Perform Quarterly Audits of the Imprest Cash Fund:**

(April 8, 1998) The OAG estimates the Police Department has an imprest cash fund shortage of \$1,913 (19%), as of May 31, 2003. In addition to the shortage, the Department is not performing quarterly audits of the imprest cash fund. As a result, we cannot be assured the imprest cash fund has not been subjected to improprieties.

We noted that the City of Detroit Imprest Cash Manual specifies the following:

- (1) Unannounced audits of imprest cash funds are to be performed by a supervisor(s) or by accounting personnel at least on a quarterly basis. Written records of the audits are to be retained until the Auditor General has performed an audit for the particular period.
- (2) Losses (shortages) are to be reported immediately to the Mayor's Office, the Finance Department, and the Auditor General in accordance with Executive Order No. 6, dated July 23, 1962, and Finance (Controller's) Directive 285-System-24, dated March 20, 1962. Such reports should be in writing and indicate the circumstances of the loss and action taken to prevent recurrence.

During interviews with the OAG, the two employees responsible for the administration of the imprest cash fund responded that they are new to their positions and do not know why audits were not performed for the imprest cash fund.

We recommend that the Police Department determine its actual imprest cash fund shortage, report the shortage to the designated officials, and obtain authorization and funding to replenish the fund to \$10,000 (cash plus petty cash vouchers).

We also recommend that the Department comply with the policy and procedures listed below:

- Each custodian should reconcile his or her portion of the fund on a monthly basis.
- The custodian's supervisor should review and approve the imprest cash fund reconciliation.
- The supervisor should submit the reconciliation to the appropriate personnel in the Management Services Bureau for review.
- A designated employee should perform unannounced audits of the imprest cash fund, on at least a quarterly basis, as required by the City of Detroit Imprest Cash Manual.



December 29, 2003

Mr. Joseph L. Harris
Auditor General
City of Detroit
Coleman A. Young Municipal Center, Suite 208
Detroit, Michigan 48226

RE: AUDIT OF THE POLICE DEPARTMENT IMPREST CASH FUND REPORT

Dear Mr. Harris:

This correspondence is in reply to your letter dated December 8, 2003, regarding the November 2003 audit of the Imprest Cash Fund administered by the Fiscal Operations Section of the Management Services Bureau. Your letter indicates the recently completed audit reflects an estimated shortage of \$1,913.00, as well as recommendations on account compliance pursuant to the City of Detroit Imprest Cash Manual. Apparently, this shortage was previously reported in the audit prepared by your office on April 8, 1998, but was never corrected by the Fiscal Operations Section.

Deputy Chief Brenda Goss Andrews of the Management Services Bureau will ensure the Imprest Cash Fund and its' sub-accounts are personally audited by Senior Accountant Ray Moyer, and that the actual Imprest Cash Fund shortage is determined. Mr. Moyer will also reconcile the primary Imprest Cash Fund and prepare all documents and reports related to its' replenishment and his audit finding.

Further, the Fiscal Operations Section will adopt and implement with immediacy, all of the compliance policies and procedures recommended in your letter, inclusive of, but not limited to:

- Determining the actual Imprest Cash Fund shortage
- Conduct unannounced quarterly audits of the primary and all sub-accounts

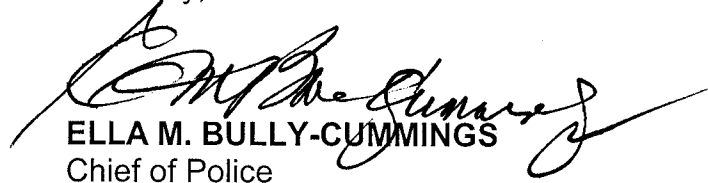
Joseph L. Harris
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- Obtain authorization and funding to replenish the fund to \$10,000 (cash plus petty cash vouchers = \$10,000).
- Require each sub-account custodian to reconcile his/her portion of the fund on a monthly basis, and prepare a report of same, through Department channels, to the Deputy Chief of the Management Services Bureau.
- Sub-Accounts be periodically reevaluated based upon current need.

These processes will be completed and/or implemented, and a full report submitted to your office by January 23, 2004.

Should you have additional questions or concerns, please feel free to contact me at 596-1800, at your convenience.

Sincerely,



ELLA M. BULLY-CUMMINGS
Chief of Police

EMB-C:aj

Attachment

- 1). Letter to Chief Bully-Cummings w/current Audit Report attached



January 23, 2004

Joseph L. Harris
Auditor General
City of Detroit
Coleman A. Young Municipal Center
Detroit, MI 48226

**RE: POLICE DEPARTMENT IMPREST CASH FUND – COMERICA BANK
ACCOUNT**

Dear Mr. Harris:

This letter is a follow-up correspondence to my letter to you dated December 29, 2003, regarding the audit conducted by your office of the aforementioned account. In my letter, I indicated the Department would further review the findings of the audit and an accurate compliance report would be submitted to your office by January 23, 2004. This letter and the attached supporting documentation shall serve as that report.

Pursuant to your recommendation, the Management Services Bureau has requested authorization and funding from Finance Director Sean Werdlow (Attachment 2) in the amount of **\$1,958.88** to replenish the Detroit Police Department's Imprest Cash Fund to \$10,000.

The recent audit (Attachment 3) performed by members of your staff, estimated this fund to have a shortage of **\$1,913.00**. This was also the finding in an April 1998 audit. The Fiscal Operations Section of the Detroit Police Department was aware of these findings, however, due to staff constraints and employee turnover, the department did not implement the required policies and procedures to resolve such findings.

Since being made aware of the current findings, an internal review of the Imprest Cash Fund has been performed to determine the actual fund deficit. As a result, the true value of the Detroit Police Department's Imprest Cash Fund is \$8,041.12, resulting in a shortage of **\$1,958.88**.

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The shortage can be attributed to the lack of diligence of the previous supervision of the Fiscal Operations Section to conduct periodic audits of petty cash accounts (no internal audit over past ten years), and to consistently adhere to City of Detroit's Imprest Cash policies and procedures.

In all cases where monies were disbursed to a department command to establish a small petty cash fund, the funds were turned over to new custodians without an audit. Because many of these petty cash accounts were established 10 to 20 years ago, it is impossible to account for petty cash funds that cannot be located. The shortage as a result of petty cash funds that cannot be accounted for is **\$646.09**.

Upon full replenishment of this account, the current petty cash sub-funds will be evaluated individually to determine the further need for petty cash funds. Once the commands that will continue to maintain petty cash sub-funds have been established, a list of these commands and the amount of their petty cash funds will be forwarded for your review.

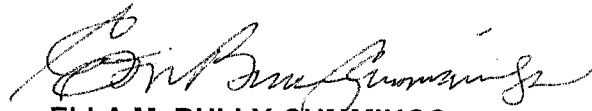
Finally, it is believed the remaining loss of **\$1,312.79**, which occurred prior to 1998, is the result of a lack of accountability for short-term advance emergency purchases where an original receipt is required to properly reimburse and reconcile the fund.

A copy of the most recent reconciliation of this account and related documents is attached for your review. The Detroit Police Department is implementing all policies and procedures recommended by the Office of the Auditor General to ensure compliance with imprest cash account policies and procedures.

Joseph L. Harris
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Should you have any questions or concerns, please contact Deputy Chief Brenda Goss Andrews at 596-1870.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Ella M. Bully-Cummings', written in dark ink.

ELLA M. BULLY-CUMMINGS
Chief of Police

EMB-C:rm/aj

Attachments

- 1). Copy of letter to AG Harris dated December 29, 2003
- 2). Copy of letter to Werdlow dated January 16, 2004
- 3). Copy of December 2003 Audit
- 4). Copy of December 2003 Reconciliation